

OVERVIEW OF THE BUDGET

A budget document identifies programs and articulates the policies that are being proposed for funding in the coming year—as well as estimating the revenues that will support these programs and policies. The budget document serves an additional critical function of providing a structured framework for decision-makers and stakeholders to consider programmatic, policy and revenue enhancements. This framework consists of revenue assumptions, estimated program costs and the financial and economic environment in which the District of Columbia Government provides services.

The *FY 2001 Budget and Financial Plan* serves this purpose. This budget:

- Articulates the vision and strategic policy proposals of the Mayor;
- Presents a financial plan showing the long-term impacts of current spending;
- Identifies major issues concerning children, education, economic development, health, the District workforce and capital infrastructure; and
- Identifies key operational issues for each agency.

This information is presented through three introductory chapters and a series of agency budget chapters. The introductory chapters are described below:

- **The Financial Plan chapter** summarizes planned revenues and expenditures for FY 2001 and assesses the impact of budgetary decisions on the financial health of the District.
- **The Revenues chapter** presents and explains in detail the current revenue projections certified by the Chief Financial Officer and the Authority.

This Overview presents a descriptive and graphic summary of the budget and financial plan. Specifically, it covers the following:

- The FY 2001 budget development process;
- A description of *Where The Revenue Comes From*;
- A description of *Where The Revenue Goes* — first by function, then by object.

In addition to the information contained in this volume, the capital budget is presented in two volumes: the *FY 2001 – 2006 Capital Improvement Plan and FY 2001 Capital Budget* and the *FY 2001 – 2006 Capital Improvement Plan and FY 2001 Capital Budget: Volume II: Highway Trust Fund*. These two documents provide information on the capital budget, capital expenditures and financing sources for all projects that are part of the capital program.

The FY 2001 Budget Development Process

In a typical year, District leaders formulate the budget through a legislatively structured process where the Mayor develops the first submission, the Council accepts or rejects the budget, the Mayor may sign or veto the Council budget, the Council may override the veto, and finally the budget is transmitted to Congress. This process changed when the Congress established the District of Columbia Financial Responsibility and Management Assistance Authority (DCFRMAA). For FY 2001, Congress allowed District leaders to develop a budget process that best served their needs and maximized the prospect of producing a consensus budget.

October of 1999

The FY 2001 budget process began with the development of agency spending plans for FY 2000 to identify spending pressures that may impact FY 2001.

Consistent with the *Recommended Budget Practices* of the “National Advisory Council on State and Local Budgeting” (NASCLB).¹ The FY 2001 budget development began with a review of the progress of the FY 2000 budget execution. This effort resulted in the “FY 2000 Agency Financial Plans and Spending Pressures” report issued in December 1999. This report identified fiscal challenges for agencies to remedy in FY 2000 and to consider in the development of the FY 2001 budget. This financial planning initiative is consistent with the NASCLB *Recommended Budget Practices* to alert management to fiscal challenges in advance so that appropriate and timely actions can be undertaken.

November and December of 1999

A baseline projection of FY 2001 costs was estimated based on projected payroll and adjustments for fixed costs.

To account for actual agency spending patterns, as opposed to budgeted funding levels, the FY 2001 budget process began by estimating the FY 2001 personal services costs based on the first full pay period of FY 2000. This payroll data was adjusted to account for seasonal employment and vacancies, the annualized cost of the FY 2000 six percent non-union pay raise and FY 2001 step increases—resulting in the FY 2001 personal services projection for each agency. Additionally, FY 2001 fixed costs were estimated for each agency based on Office of Property

¹ Members of the NASCLB include: the Council of State Governments (CSG); Government Finance Officers Association (GFOA); International City/County Management Association (ICMA); National Association of Counties (NACo); National Conference of State Legislatures (NCSL); National League of Cities (NLC); United States Conference of Mayors (USCM); and the Association of School Business Officials (ASBO).

Management estimates. These costs, combined with the personal services projections, and other adjustments for one-time costs in FY 2000, resulted in the FY 2001 Baseline Budget projection.

January of 2000

The baseline budget projection was submitted to agencies for allocation, technical adjustments and programmatic enhancements not captured in the initial projection.

Agencies were afforded the opportunity and flexibility to allocate the baseline budget projection across their organizations to align resources with the Mayor's priorities. Additionally, agencies were provided instructions on how to submit technical adjustments to the baseline projection and decision packages for programmatic enhancements.

February of 2000

The Office of the Chief Financial Officer (CFO), the Office of the Mayor, agency directors and CFOs and representatives of the Authority and Council collaborated to adjust the baseline projection.

During the month of February, agencies met with the Office of Budget and Planning and the Office of the Mayor to present technical adjustments to the baseline projection. Additionally, agency programmatic enhancements were evaluated by the OBP and presented to the Office of Mayor for consideration.

March 13, 2000

Mayor presents his budget to the Council and Authority for review.

This executive budget reflects the Mayor's policy priorities for meeting critical needs, delivering quality services and maintaining fiscal responsibility.

**March 13 –
April 30, 2000**

The Council and Authority review the budget.

As mandated by District law, within 30 days the Council must hold public hearings on the Mayor's proposed budget.

**May 1 – June 1,
2000**

Consensus building process.

The Council, Mayor and Authority reach consensus on the District's budget.

June 1, 2000

The budget is submitted to Congress.

A final budget is submitted to Congress.

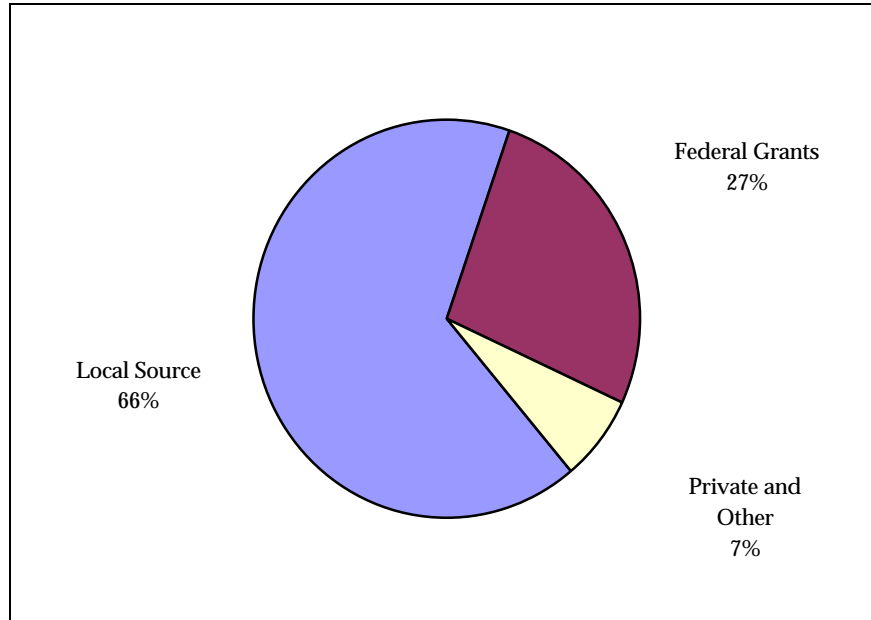
Where the Revenue Comes From

The following graphs summarize the sources of revenue used to fund District programs. Looking at *total* revenues, Figure 1 shows that District revenues come from three sources: local source, federal grants and private and other funds.

Figure 1

**Total General Fund
Revenues by Fund Type
FY 2001**

*Local source revenues
constitute two-thirds of the
District's general fund
revenues.*



Local: Includes tax revenue and non-tax revenue that is not earmarked for a particular purpose and is allocated to fund District programs.

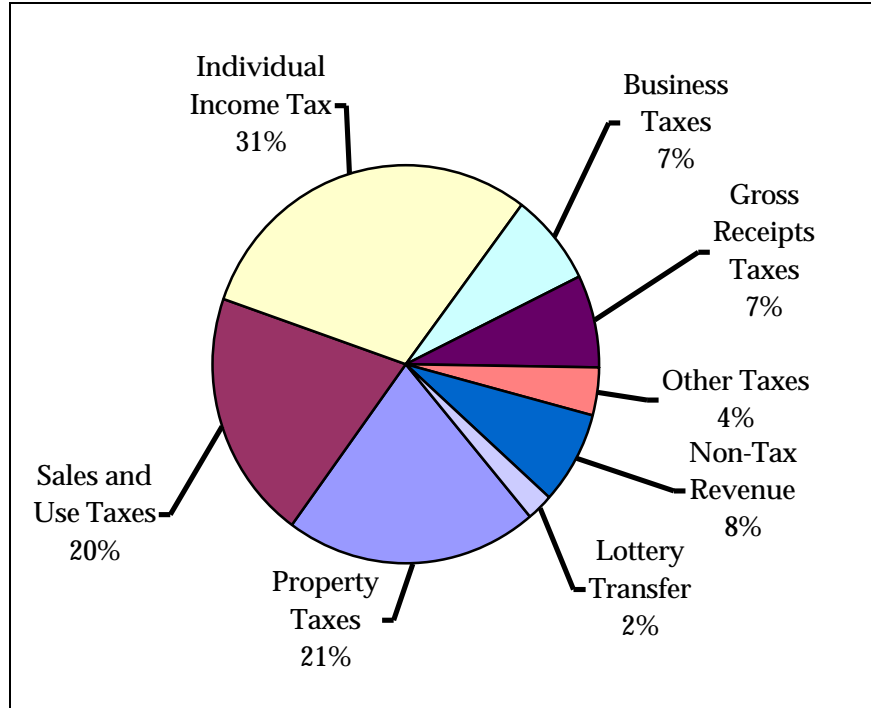
Federal grants: Funding provided by the Federal government to support various federally established programs such as Medicaid. These funds are earmarked for a particular purpose or program and cannot be re-allocated to fund other programs.

Private and Other: Funding from other sources including private grants and charges for services that are retained by the agency for costs associated with the service provided.

Figure 2

**Total Local Source Revenues
FY 2001**

Three-fourths of local source revenue comes from individual income tax, property tax and sales and use taxes.



For a detailed discussion of each revenue source, please see the *Revenues* chapter.

Where the Revenue Goes— By Function

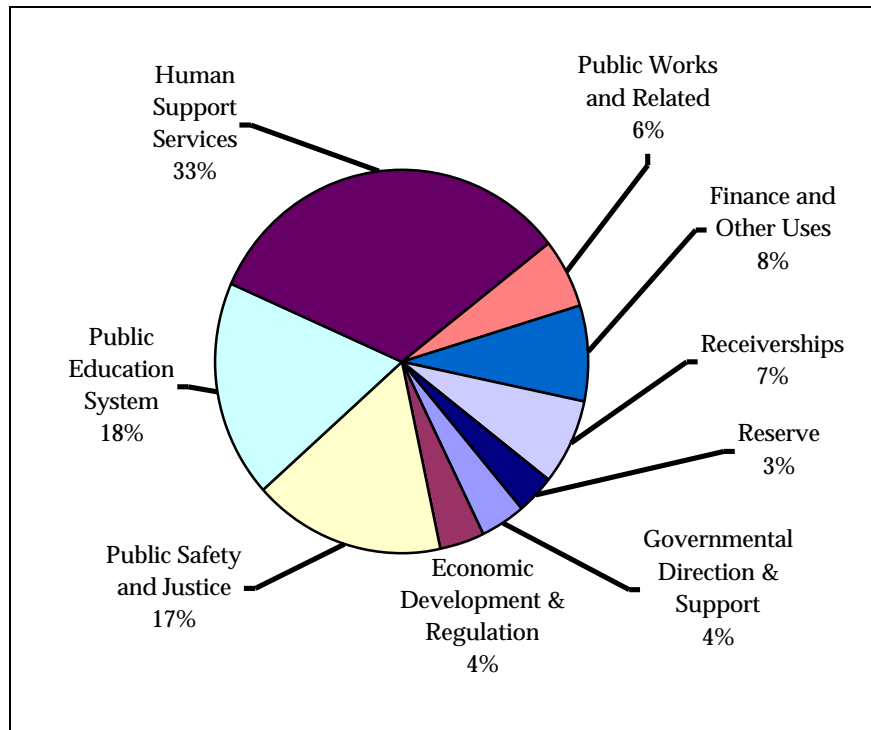
The following charts illustrate how the District allocates revenue among governmental program areas.

Figure 3

Total General Fund Expenditures by Function

FY 2001

(\$000s)



As depicted in Figure 3, half of the District's expenditure budget is devoted to Human Support Services (which includes Medicaid, welfare and other mandatory spending programs) and Public Education. Data Table 1 presents the expenditure level for each of these functional areas.

Overview of the Budget

Data Table 1

Total General Fund Expenditures by Function

FY 2000 – FY 2001

(\$000s)

Appropriation Title	FY 2000 Approved Budget	FY 2001 Budget	Variance (%) From FY 2000 Approved Budget
Governmental Direction & Support	167,355	190,527	13.8%
Economic Development & Regulation	190,335	204,857	7.6%
Public Safety & Justice	778,770	746,604	-4.1%
Public Education System	867,411	951,358	9.7%
Human Support Services	1,526,361	1,562,952	2.4%
Public Works	271,395	278,362	2.6%
Receiverships	342,077	345,624	1.0%
Financing and Other Uses	383,653	380,079	-0.9%
Other	159,478	104,340	-34.6%
Total	4,686,835	4,764,703	1.7%

Data Table 1 reflects general fund expenditures by function. As discussed earlier, the general fund includes three primary funding sources: local funds, federal grants and private and other funds. The general fund increase over FY 2000 is \$77.9 million, or 1.7 percent.

Data Table 2

Total Local Fund Expenditures by Function

FY 2000 – FY 2001

(\$000s)

Appropriation Title	FY 2000 Approved Budget	FY 2001 Budget	Variance (%) From FY 2000 Approved Budget
Governmental Direction & Support	137,134	151,937	10.8%
Economic Development & Regulation	52,911	54,398	2.8%
Public Safety & Justice	565,511	580,477	2.6%
Public Education System	721,847	789,308	9.3%
Human Support Services	635,372	650,705	2.4%
Public Works	258,341	265,198	2.7%
Receiverships	217,606	219,026	0.7%
Financing and Other Uses	383,653	380,079	-0.9%
Other	141,207	104,340	-26.1%
Total	3,113,853	3,195,468	2.6%

The total local fund expenditure change from FY 2000 is \$81.6 million, or 2.6 percent. This increase is primarily attributable to a \$67.5 million increase in the Public Education System appropriation title to reflect the Mayor's key priority to improve education for FY 2001.

Overview of the Budget

Figure 4

General Fund

**Expenditures by
Object Class**

FY 2000 – FY 2001

(\$000s)

Object Class	FY 2000 Approved Budget	FY 2001 Baseline Budget	Variance (%)
Regular Pay- Continuing Full Time	1,185,578	1,199,578	1.2%
Regular Pay - Other	127,742	134,397	5.2%
Additional Gross Pay	63,372	67,792	7.0%
Fringe Benefits	192,900	198,856	3.1%
<i>Sub-Total Personal Services</i>	1,569,593	1,600,622	2.0%
Supplies and Materials	66,099	74,257	12.3%
Utilities	74,968	58,112	-22.5%
Telephone	19,967	20,346	1.9%
Rent	63,557	69,525	9.4%
Other Service and Charges	176,008	181,642	3.2%
Contractual Services - Other	502,424	499,196	-0.6%
Subsidies and Transfers	1,759,260	1,802,371	2.5%
Equipment and Equipment Rental	68,654	75,586	10.1%
Debt Service and Other	386,302	383,047	-0.8%
<i>Sub-Total Nonpersonal Services</i>	3,117,240	3,164,082	1.5%
Total	4,686,833	4,764,703	1.7%

Figure 4 depicts general fund expenditures by object class. Of the \$77.9 million increase from FY 2000 to FY 2001, \$43.1 million is accounted for in Subsidies and Transfers to reflect the increased support of the public education system and \$31.0 million is reflected in the 2.0 percent increase in personal services.